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Productivity Commission Urges 20% Company Tax Cut

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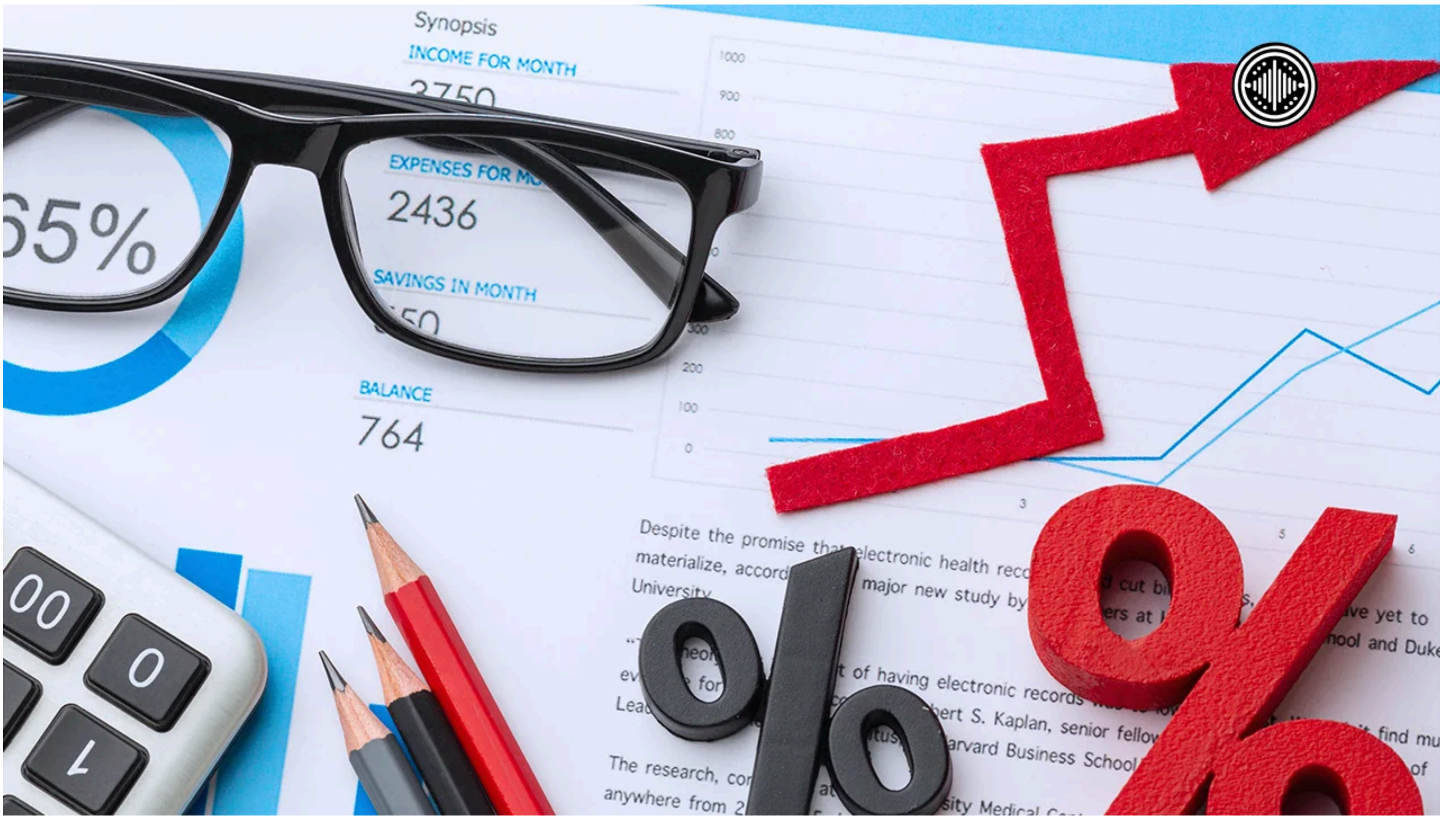

The Productivity Commission recommends slashing the company tax rate to 20% for businesses with up to $1 billion in revenue and introducing a 5% net cashflow tax, aiming to boost investment and productivity ahead of Treasurer Jim Chalmers' reform roundtable.

In a pivotal report released on July 31, 2025, the Productivity Commission (PC) has advised Treasurer Jim Chalmers to overhaul Australia's corporate tax system to drive economic growth. The interim report, part of a series commissioned for the Economic Reform Roundtable scheduled for August 19-21, 2025, proposes reducing the company tax rate from 30% to 20% for businesses with annual revenue up to $1 billion. This cut, affecting 99% of Australian companies, aims to spur investment and job creation, particularly in the non-mining sector, where business investment has declined since 2009, per the PC's *Growth Mindset* report. The commission also recommends a 5% tax on net cashflow rather than profits, offering immediate tax relief for smaller firms building capital while potentially increasing tax burdens for larger corporations.

The proposed reforms address Australia's uncompetitive corporate tax rate, the third-highest among Organisation for Economic Co-operation and Development (OECD) nations, as noted by Business Council of Australia president Geoff Culbert. "A lower tax rate is critical for driving productivity and jobs," Culbert stated, as reported by the Australian Financial Review on July 31, 2025. The PC argues that the current 30% rate discourages investment, with non-mining sectors contributing only 8% of GDP growth since 2010. The cashflow tax, inspired by international models, would allow immediate deductions for capital investments, benefiting small-to-medium enterprises (SMEs) that employ 10.5 million Australians, per Australian Bureau of Statistics data.

Critics, including mining and energy firms, fear the roundtable may propose higher resource taxes to offset cuts, especially since they were excluded from the 24-member invite list, per the Australian Financial Review. The reforms, if adopted, could reshape Australia's $2.7 trillion economy by boosting SME competitiveness and reducing reliance on income tax, which accounts for 40% of federal revenue. With the roundtable approaching, Chalmers faces pressure to balance these proposals against budget sustainability, as the PC's report underscores the need for methodical reform to avoid past policy missteps and ensure long-term economic resilience.